



# BUSINESS MODEL INNOVATION

ENTP 6390.501

SPRING 2011

<b>Class Meeting</b> Monday 7:00 – 9:45 PM, SOM 2.803 <b>Office Hours:</b> Mon 3:00 – 4:30 PM Or by appointment	<b>Dr. Joseph C. Picken</b> SOM 4.212 <b>Email:</b> <a href="mailto:jpicken@utdallas.edu">jpicken@utdallas.edu</a> <b>Phone</b> (UTD office): (972) 883-4986
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## COURSE OBJECTIVES:

A business model is a logical and internally consistent representation of the design and operations of a business, capturing the essence of how it will be focused and demonstrating how an interrelated set of decision variables will be addressed to create, deliver and capture value. By one definition, a business model consists of four interlocking elements:

- The **customer value proposition** (how does the firm create value for a customer)
- The **profit formula** (how does the firm capture value for itself while providing value to the customer)
- The **key resources** required to deliver the value proposition to the targeted customer
- The **key processes** that allow a firm to deliver value in a repeatable and scalable manner.

Business model *innovation* is focused on the design and development of new and unique business models that, by definition, challenge accepted conventions in a given industry about how to create and deliver customer value while making sustainable profits for the entrepreneur and his investors.

Although it may be possible, under ideal circumstances, to “design” an innovative business model, an alternative view holds that business model *innovation* is a somewhat messy, iterative process of experimentation and refinement. The essence of this perspective is captured in the admonition of an experienced entrepreneur and venture investor to: “try it, iterate it until you get it right, then build a repeatable scalable business process”. This view is consistent with the assertion that “no venture succeeds with its original business plan”, and maintains that the principal difference between winners and losers is the ability of the winners to recognize the shortcomings of their initial approach, update their assumptions, and redirect the organization from Plan A to a more workable Plan B before their funding is exhausted.

This course will explore the range and diversity of existing perspectives about business models and the tools of analysis essential to their understanding. We will learn to analyze and evaluate existing business models and pursue a logical and internally consistent approach to the choice and/or development of an appropriate business model for a new enterprise. The application of the course frameworks, tools and techniques will be illustrated with case studies and evaluated in a semester project involving the development of an innovative business model for an entrepreneurial venture.

## LEARNING OBJECTIVES

**Upon successful completion of this course, students will:**

- Understand and be able to explain the purpose, role and importance of business models, including the key elements of a business model and the interactions and interdependencies among the elements.
- Demonstrate the ability to analyze existing business models utilizing the course frameworks, tools and techniques, evaluate their strengths and limitations, and make recommendations for improvement.
- Demonstrate the ability to evaluate, design, and recommend innovative business models for entrepreneurial new ventures or businesses experiencing significant changes in their external environments.

## REQUIRED COURSE MATERIALS:

- Johnson, M. 2010. *Seizing the White Space: Growth and renewal through business model innovation*. Harvard Business School Press, Boston. ISBN 978-1-4221-2481-9 (\$29.95)
- Mullins, J. and R. Komisar. 2009. *Getting to Plan B: Breaking through to a better business model*. Harvard Business Press. Boston. ISBN 978-1-4221-2669-1 (\$29.95)

- Osterwalder, A. and Y. Pigneur. 2010. *Business Model Generation*. John Wiley & Sons. Hoboken, NJ. (\$34.95) ISBN 978-0470-87641-1
- **Course Pack:** Cases (available at UTD Bookstore and Off-Campus Books).
- **Electronic Readings:** Download **eJournals** (Harvard Business School and other articles) as required. The **eJournals** are available for download at no charge on the UTD McDermott Library website <http://www.utdallas.edu/library/collections/journals.htm> (see ASSIGNMENTS below).

## SELF INTRODUCTION

Each student should post a Self-Introduction in the Discussion area of WebCT prior to **January 15<sup>th</sup>**. Guidelines are provided on the WebCT Discussion page. This information will be used to set up my gradebook and assist in the formation of groups for the course.

## FORMATION OF GROUPS

Much of the work in this course will be performed in groups. Students should form small groups (3 members) during the first two weeks of the course. It is important that you select your groups to include a diverse set of skills and make sure that at least one member is proficient in accounting and spreadsheet analysis. A list of the members of each group (with name, email and telephone contact information) should be emailed to the instructor on or before **Monday, Jan 24<sup>th</sup>**.

## LECTURE NOTES

The MS Powerpoint slides used in lectures and case discussions and other course-related materials will be posted on WebCT (<http://webct.utdallas.edu>) under course ID ENTP 6390. You should be able to access WebCT with your UTD Unix ID and password. Call computer services at (972) 883-2911 if you need assistance.

## COURSE REQUIREMENTS & GRADING:

The list of assigned readings and cases is attached. Supplemental materials may be provided or posted electronically. Advance preparation and enthusiastic participation in class discussions is an important part of the learning experience in this course and will be evaluated.

The course has been designed to allow flexible management of your time. There will be no quizzes or exams. Your grade will be based on group and individual written assignments and your contributions to class discussions. These assignments, their due dates and page limits, and their relative weights in determining your final grade are summarized in the table below:

Assignment	Due Date	Type	Length	Weight
<b>WA-1</b> VendQuest (A)	<a href="#">Jan 31, 2011</a>	Group exercise	3 PPT slides	5%
<b>WA-2</b> Netflix	<a href="#">Feb 14, 2011</a>	Individual case analysis (outline form)	5-6 pp	10%
<b>WA-3</b> Zipcar: Refining the Business Model	<a href="#">Feb 21, 2011</a>	Group exercise	3 PPT slides	5%
<b>WA-4</b> Ryanair Holdings PLC	<a href="#">March 7, 2011</a>	Group case analysis (outline form)	5-6 pp	10%
<b>WA-5</b> Analysis of Working Capital Models	<a href="#">March 21, 2011</a>	Group exercise	3 PPT slides	10%
<b>WA-6</b> Innovation at Progressive	<a href="#">April 4, 2011</a>	Group case analysis (outline form)	5-6 pp	10%
<b>WA-7</b> Inhale Therapeutics	<a href="#">April 18, 2011</a>	Individual case analysis (outline form)	5-6 pp	15%
<b>WA-8</b> Big Bazaar	<a href="#">April 25, 2011</a>	Group exercise	3 PPT slides	5%
<b>WA-9</b> Zara: Fast Fashion	<a href="#">May 2, 2011</a>	Individual case analysis (outline form)	10-12 pp	15%
<b>WA-10</b> Peer Evaluation	<a href="#">May 2, 2011</a>	Individual		0%
<b>Class Participation</b>		Individual		15%
<b>Overall Course Grade</b>				<b>100%</b>

**Peer Evaluation.** A peer evaluation process will be utilized to adjust individual grades on all group assignments. The peer evaluation form (attached) should be completed individually, sealed in an envelope and turned in with the final written assignment on **May 2<sup>nd</sup>**.

## Written Assignments

- **Evaluation.** Twenty percent (20%) of your grade will be based on group exercises and sixty-five percent (65%) will be based on group and individual written assignments. Written assignments will be evaluated on multiple factors, including (a) fully addressing the requirements; (b) critical evaluation and effective insights into the case situation; (c) demonstrated ability to apply the course concepts and frameworks in your analysis; (d) logical conclusions and effective recommendations; and (e) effective communications. Particular care should be taken to fully address the requirements for each paper as detailed in the assignment. A written evaluation and critique will be provided on all graded papers.
- **Format.** Each written assignment should comply with the page length guidelines specified for the assignment. The use of charts and exhibits is encouraged, to the extent that they help you make your points. Cover pages, charts or exhibits, and lists of references will not be included in the page count. Charts and exhibits should be numbered and appropriately referenced in the body of the document. A list of references should be attached as required. The manuscript should use 11-12 point type, double-spaced, with 1” margins all around. Appropriate titles and section headings should be used. Binders and report covers are neither necessary nor desired. **Number the pages, put the course number and your name(s) at the top of each page and staple in the upper left corner.**
- **Outline Form Response.** Some assignments specify an outline form response. I will expect a statement of the question followed by a bulleted or numbered list of the key items in your response (see example on WebCT).
- **Essay Form Response.** Some assignments specify an essay form response. I will expect a well organized paper that addresses the case questions and uses section headings, bulleted lists, charts and exhibits as appropriate to clearly communicate your message.
- **Electronic Submissions.** If you submit a paper by email, the file name should identify the course, assignment number and your name or group ID. For example, “ENTP6385\_2\_JSmith.doc” would identify John Smith’s written assignment #2.
- **Due Dates and Late Paper Policy:** Written assignments are due at the beginning of class on the date assigned. Group assignments will not be accepted late. Individual papers turned in within one week after the due date will be graded, but 10 points will be deducted; papers turned in within two weeks will be graded, but 15 points will be deducted. Late papers received more than two weeks after the due date will receive a zero. Exceptions may be made if circumstances warrant.

## Case Analysis Guidelines

Many of the written assignments and class discussions will require the analysis of case situations. Discussion questions for each case are provided below to help you to focus your analysis. You are encouraged to work together in your study groups to discuss the cases, including the individual written assignment cases, with the understanding that individual assignments (including tables and figures) are to be prepared and written by yourself. The following general approach to case analysis is recommended:

- Read the case quickly. Identify the key issues and decisions/actions required (the case preparation questions will help you to focus on the key issues). Prioritize the issues in terms of urgency and importance.
- Decide what kind of recommendations should be made (and to whom)
- Choose appropriate analytical tools/frameworks from those introduced in the course
- Analyze the situation thoroughly using the frameworks and theoretical frameworks provided in the readings
- Draw logical conclusions based on your analysis
- Make specific recommendations for action in response to the questions posed in the case or the preparation questions (what should be done, who should do it, when and in what sequence).

In general, there are no “right” or “wrong” answers for a specific case – different approaches and insights are possible, depending on your individual perspective and approach. Regardless, I will expect you to draw logical conclusions and (if appropriate) make recommendations that: (a) address the identified strategic issues; (b) follow logically from your analysis and conclusions; and (c) make sense (are feasible) in the context of the case situation.

## Class Participation

Fifteen percent (15%) of your grade will be based on the quality of your preparation and active participation in class discussions and exercises. If you are absent or unprepared to discuss the readings and the case, you will receive a zero in class participation for that day. From time to time, it may be necessary to miss a class due to illness or personal

business. Please let me know in advance. Keep in mind that written assignments must be emailed by the due date, regardless. If attendance or participation become an issue, your grade will be impacted.

## UNIVERSITY POLICIES

**Off-campus Instruction and Course Activities.** Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address [http://www.utdallas.edu/BusinessAffairs/Travel\\_Risk\\_Activities.htm](http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm). Additional information is available from the office of the school dean. Below is a description of any travel and/or risk-related activity associated with this course.

**Student Conduct & Discipline.** The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Board of Regents, The University of Texas System, Part I, Chapter VI, Section 3*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

**Academic Integrity.** The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

**Email Use.** The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

**Withdrawal from Class.** The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

**Student Grievance Procedures.** Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

**Incomplete Grade Policy.** As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of **F**.

**Disability Services.** The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22  
PO Box 830688  
Richardson, Texas 75083-0688  
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

**Religious Holy Days.** The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

## EXERCISES AND DISCUSSION QUESTIONS FOR CASE ANALYSIS

The following discussion questions are provided to help you complete a structured analysis focusing on the key issues in each case. It is important, in exercises and written assignments, to address each of these points.

### **S03 - WA#1 –VendQuest (A) HBR 9-203-065 (Group exercise)**

1. Analyze the VendQuest business opportunity using the Business Model Canvas (Osterwalder & Pigneur). Propose three alternative business models for consideration by Kurt Conti:
  - a. VendQuest is positioned as an intermediary between buyers (construction companies) and sellers (regional distributors), generating fee income on each transaction.
  - b. VendQuest is positioned as a purchasing agent for multiple buyers (construction companies), consolidating requirements and sourcing from multiple distributors to reduce administrative costs and facilitate lower pricing and faster delivery for buyers.
  - c. VendQuest is positioned as a national distributor (agent of the manufacturer), purchasing directly from multiple manufacturers and reselling to buyers (alternate channel of distribution). How would you address the channel conflict with existing regional distributors?
2. Prepare three powerpoint slides (using the Business Model Canvas Template – Web CT) to document your recommended business models presentation and class discussion. Email to instructor prior to class (5:00 PM).

### **S04 - WA#2 Costco Companies, Inc. HBS 9-599-041 (class discussion)**

1. Consider the historical development of Costco's business model. Identify the analogs and antilogs that Brotman and Sinegal relied upon as they developed their concept. What role did these play in the development and refinement of the business model?
2. Analyze and describe Costco's business model using the Business Model Canvas Template (Web CT). What role

- do the key partners, activities and resources play in shaping the value proposition? How have the desired relationships with the targeted customer segments shaped the value proposition? How do all of the elements work together to create a unique business model?
3. Would Kim and Mauborgne consider Costco to be a value innovator? Consider their posture vs. conventional retailers with respect to industry assumptions, strategic focus, customers, assets and capabilities and product and service offerings.
  4. Compare Costco's offering to those of WalMart and Kroger utilizing K&M's value curve framework. Consider the various stages of the customer experience cycle (K&M – *Knowing a Winning Business Idea*). What are the key elements of value that must be considered? How has Costco differentiated its offering?
  5. Will Costco's business model have to change in order to offer the Executive Membership Services? Analyze the changes that will be required in the CVP, profit formula, resources and processes.

**S05 - CASE: Netflix HBS 9-607-138 (individual case analysis)**

1. Analyze and describe Netflix' business model (prior to the launch of VOD) using the Business Model Canvas Template (Web CT). What role do the key partners, activities and resources play in shaping the value proposition? How have the desired relationships with the targeted customer segments shaped the value proposition? How do all of the elements work together to create a unique business model?
2. Consider the evolution of Netflix' business model over the period of the case. Outline how the model has evolved from the original Plan A through several iterations. How do you think Netflix would have fared if it had stuck with Plan A?
3. Compare Netflix' offering to that of Blockbuster as of the end of 2003 utilizing K&M's value curve framework. Consider the various stages of the customer experience cycle (K&M – *Knowing a Winning Business Idea*). What are the key elements of value that must be considered? How has Netflix differentiated its offering?
4. At the end of the case, Netflix is considering three alternative approaches to the introduction of a VOD offering. How would each of these impact the current business model (as developed in question 1)? How would a VOD offering impact Netflix' value curve (as developed in question 3)? How would you expect a VOD offering to impact (a) Netflix' current business; and (b) its competitive position vs. Blockbuster?
5. Consider the evolution of Netflix' business model in the context of Anderson's *The Long Tail*. What patterns and trends do you see? How would you expect the introduction of a VOD offering to impact the business model?

**S06 - CASE: Zipcar: Refining the Business Model HBS 9-803-096 (group exercise)**

1. Describe Zipcar's business model, focusing on the CVP and the Profit Formula as defined in Johnson (Ch 2). With respect to the CVP, describe the job-to-be-done, the existing solutions, and the offering. With respect to the profit model, specifically address the revenue model, the cost structure, target unit margin and resource velocity required to achieve profitability.
2. Identify the relevant analogs and antilogs considered by Chase and Danielson and discuss how these influenced Zipcar's initial choice of business model. Identify the leap of faith questions to be addressed and prepare a dashboard for Zipcar (use Mullins & Komisar, Figure 2-2 as a guide).
3. Analyze the changes in the profit model from the original to the revised plan. Are the leap of faith questions still the same, or have they been modified after additional research? What are the principal changes in the assumptions and the profit model. Why were these changes made?
4. Prepare three slides for class discussion: (a) Zipcar business model (question 1); (b) Zipcar dashboard (question 2); and (c) response to question 3. Email to instructor prior to class (5:00 PM).

**S07 - CASE: Skype HBS 9-806-165 (class discussion)**

1. Skype's business model is illustrated in *Business Model Generation* (98-99), but the identification of customer segments and the value proposition are rather brief and generic. The case identifies four different Skype offerings. Develop a table that describes each offering, identifies the target market segments, and addresses the full range of competing alternatives described in the case as available to the targeted customers.
2. Develop a table that identifies the features and benefits of Skype's offering to each of the targeted customer segments. Rank the features and benefits in terms of importance to each of the targeted customer segments. What differences appear? Which of the value disciplines (Treacy & Wiersma) make the most sense for Skype in meeting the needs of each target market segment?
3. Despite the economic advantages of VoIP technology as compared to regular fixed line telephone service (POTS), by 2007 only about 25% of US broadband subscribers were using Skype or an alternate VoIP provider (Exhibit 7). Consider Skype's value proposition in light of the pricing comparisons detailed in Exhibit 2, the survey results detailed in Exhibit 3, and the operational statistics provided in Exhibit 9. What are the key elements of value?
4. Based on the analyses you prepared in response to the first three questions, prepare a resonating focus value proposition for Skype for each of the targeted customer segments.

**S08 - CASE: Ryanair Holdings, PLC HBS 9-106-003 (group case analysis)**

1. Download the *Ryanair: Profit Model Analysis* exercise from Web CT. Follow the instructions provided to complete the comparative analysis of the profit models of Ryanair and British Airways.
2. Interpret your findings in light of the description of Ryanair's profit model in the case and exhibits.

**S09 - EXERCISE: Analysis of Working Capital Models (Web CT) (group exercise)**

1. Download the *Analysis of Working Capital Models* exercise from Web CT.
2. Follow the instructions provided to complete comparative analyses of Costco vs. Walmart; Netflix vs. Blockbuster; and Amazon vs. Barnes & Noble. Email to instructor prior to class (5:00 PM).

**S10 - CASE: Scientific Problem Solving through Broadcast Search: Innocentive.com HBS N9-608-142 (class discussion)**

1. Chesbrough describes the innovation landscape in terms of three broad categories of firm roles: *funding*, *generating*, or *commercializing* innovation, with different firms playing different roles in each category according to their strategic priorities. Where does Innocentive fit in this scheme? How would a relationship with Innocentive facilitate or leverage each of the roles described by Chesbrough?
2. Osterwalder & Pigneur (p 114) use the Business Model Canvas to describe Innocentive's business model. How would this description change based on the use of the collaborative innovation model described at the end of the case. Summarize your conclusions using the Business Model Canvas Template (Web CT).

**S11 - CASE: Innovation at Progressive (A): Pay-As-You-Go Insurance HBS 9-602-175 (group case analysis)**

1. Consider the Autograph project's development from the perspective of *Getting to Plan B*. What analogs and antilogs were appropriate for consideration by McMillan as he designed the Autograph system? What were the "leap of faith" questions? Create a dashboard following Mullins & Komisar's Figure 2-2 to illustrate an appropriate set of metrics for evaluating the market trial and making the decision whether or not to launch the product nationally.
2. Consider the ideas reflected in *Innovation's Holy Grail*. Has Progressive been a consistent innovator in providing products and services that address underserved markets and/or meet previously unmet needs? How effective have they been in meeting consumer demands for low prices, rapid response and fair treatment (openness and transparency)? To what extent does the Autograph project reflect the concepts of Gandhian innovation outlined by Prahalad and Mashelkar?
3. The case describes the "outcome" of McMillan's development of the Autograph system, but doesn't address how the company arrived at the design they were testing. Assume that you were an IDEO project manager and had been hired by Progressive (or another insurance company) to develop a pay-as-you-go insurance program. Describe the design process (following the logic outlined in *Design Thinking*) that you would follow. How would you determine the requirements, develop, prototype and test the program, and evaluate consumer acceptance?

**S12 - CASE: Gome Electronics: Evolving the Business Model HBS 9-308-026 (class discussion)**

1. Analyze and describe Gome's business model in 2006 using the Business Model Canvas Template (Web CT). What role do the key partners, activities and resources play in shaping the value proposition? How have the desired relationships with the targeted customer segments shaped the value proposition? How do all of the elements work together to create a successful business model?
2. Over a period of twenty years, Gome's business model has evolved through several iterations. The company has established a leading position in the appliance and consumer electronics segment, however, by consistently focusing on the "productivity loop" (Figure A). Analyze the evolution of the company's business model over time (1987 – 2006) and summarize your findings in a table. Consider the targeted customer segments, the value proposition(s) offered, product mix, geographic scope and focus, relationships with suppliers, and other factors. What trends do you see? What conclusions can you draw from this analysis?
3. Although the market is far from saturated, a diminishing landscape of "low hanging fruit" in the largest and wealthiest markets, increased domestic competition, and the entry of "deep pocketed" foreign competitors all pose new challenges for Gome. Consider the changing environment in light of the ideas contained in *Business Model Innovation* (pp 198-211). What are the major trends and external forces impacting Gome's business? Does Gome need a new business model to compete more effectively in the coming years?

**S13 - CASE: Inhale Therapeutics: Executing and Growing the Business Model HBS 9-602-132 (individual case analysis)**

1. In what business(s) does Inhale Therapeutics compete? Who is (are) their customer(s)? What is the "job to be done"? What (if any) is (are) the company's unique core competence(s)? What is (are) the customer value proposition(s)?

2. Analyze and describe the company's business model in November 2000 using the Business Model Canvas Template (Web CT). What role do the key partners, activities and resources play in shaping the value proposition? How have the relationships with the customer segments shaped the value proposition? Do all of the elements work together to create a successful business model? What issues and/or concerns do you see?
3. Consider the changing market environment in light of the ideas contained in *Business Model Innovation* (pp 198-211). What are the major trends and external forces impacting Inhale Therapeutics' business? Does Inhale Therapeutics need a new business model to compete more effectively in the coming years?
4. What changes would you recommend in the company's business model in order to most effectively execute each of the three strategic options posed at the end of the case? Use the Business Model Canvas Template to illustrate the impact of your recommended changes.

**S14 - CASE: Big Bazaar HBS 9-606-099 (group exercise)**

1. Prepare three powerpoint slides as a basis for class discussion. Email to instructor prior to class (5:00 PM).
  - a. Compare and contrast the business models of (a) the highly fragmented traditional retailing industry; and (b) Big Bazaar, using the Business Model Canvas (one slide). What are the key differences? Which aspects of the traditional model represent barriers to entry for modern "organized" retailers?
  - b. Analyze the environment of the Indian retail industry in late 2005. What are the major trends and external forces that will impact Big Bazaar's business over the next decade? What are the key challenges to their continued growth? (one slide)
  - c. The case suggests (p 3) that there was "a window of opportunity from 2005-2009 for domestic retailers to acquire real estate and roll out stores in a protected environment". Assuming that foreign retailers such as Marks & Spencer and WalMart were allowed to enter the Indian market by 2009, what challenges and barriers to entry would they face in establishing a viable competitive position in the country? (one slide)

**S15 – FINAL EXAM: CASE: Zara: Fast Fashion HBS 9-703-497 (individual case analysis)**

1. Final Exam questions will be posted on Web CT one week prior to the due date.



## COURSE OUTLINE

Date	Readings and Preparation	Assignments
<b>Session 01</b> 1/10	<b>Introduction to Business Models</b> 3. Magretta, J. <i>Why Business Models Matter</i> , HBR May 2002 (eJournal) 4. Drucker, P. <i>The Theory of the Business</i> , HBR Sep-Oct 1994 (eJournal) 5. Mullins & Komisar. <i>A Business Plan? Or a Journey to Plan B?</i> SMR March 2010 (eJournal)	Come to class prepared to discuss the readings
1/17	<b>No Class - MLK HOLIDAY</b>	
<b>Session 02</b> 1/24	<b>Defining the Business Model</b> 6. Mullins & Komisar. 2009. <i>Getting to Plan B</i> . (Preface, 1-12) 7. Johnson, M. 2010. <i>Seizing the White Space</i> (Foreword, 1-46) 8. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (1-41)	<b>Submit Group Rosters</b> Come to class prepared to discuss the readings
<b>Session 03</b> 1/31	<b>Business Model Analysis – Tools and Techniques</b> 9. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (42-51) 10. Kim & Mauborgne. <i>Knowing a Winning Business Idea When You See One</i> . HBR Sep-Oct 2002 (eJournal) <b>CASE: VendQuest (A)</b> HBS 9-203-065 (Exercise: Using the Business Model Canvas)	<b>Written Assignment #1</b> (group exercise)
<b>Session 04</b> 2/7	<b>Business Model Analysis – Tools and Techniques</b> 11. Mullins & Komisar. 2009. <i>Getting to Plan B</i> . (13-64) 12. Johnson, M. 2010. <i>Seizing the White Space</i> (49-106) 13. Kim and Mauborgne. <i>Value Innovation: The Strategic Logic of High Growth</i> . HBR Jan-Feb 1997 (eJournal) <b>CASE: Costco Companies, Inc.</b> HBS 9-599-041	Come to class prepared to discuss the readings and the case.
<b>Session 05</b> 2/14	<b>Business Models: Patterns</b> 14. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (54-75) 15. Hagel & Singer. <i>Unbundling the Corporation</i> , HBR Mar-Apr 1999 (eJournal) 16. Anderson, C. <i>The Long Tail</i> . <i>Wired</i> Oct 2004 (Web CT) 17. Anderson, C. <i>Free! Why \$0.00 is the Future of Business</i> . <i>Wired</i> Mar 2008. (Web CT) 18. Anderson, C. <i>The Economics of Giving it Away</i> . Wall Street Journal, Jan 31, 2009. (Web CT) 19. Fortune, Dec. 6, 2010: <i>Reed Hastings: Leader of the Pack</i> (Web CT) <b>CASE: Netflix</b> HBS 9-607-138	<b>Written Assignment #2</b> (individual case analysis)
<b>Session 06</b> 2/21	<b>Revenue and Pricing Models</b> 20. Mullins & Komisar. 2009. <i>Getting to Plan B</i> . (65-88) 21. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (76-105) <b>CASE: Zipcar: Refining the Business Model</b> HBS 9-803-096	<b>Written Assignment #3</b> (group exercise)
<b>Session 07</b> 2/28	<b>The Customer Value Proposition</b> 22. Treacy & Wiersema. <i>Customer Intimacy and Other Value Disciplines</i> . HBR Jan 1993 (eJournal) 23. Anderson, Narus & Van Rossum: <i>Customer Value Propositions in Business Markets</i> . HBR March 2006 (eJournal) 24. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (98-99) 25. Prahalad & Ramaswamy. <i>The New Frontier of Experience Innovation</i> . HBR July 2003 (eJournal) <b>CASE: Skype</b> HBS 9-806-165	Come to class prepared to discuss the readings and the case.
<b>Session 08</b> 3/7	<b>The Profit Formula</b> 26. Mullins & Komisar. 2009. <i>Getting to Plan B</i> . (89-132) <b>CASE: Ryanair Holdings, PLC</b> HBS 9-106-003	<b>Written Assignment #4</b> (group case analysis)
<b>SPRING BREAK (March 14-19)</b>		

Date	Readings and Preparation	Assignments
<b>Session 09</b> 3/21	<b>The Working Capital Model</b> 27. Mullins & Komisar. 2009. <i>Getting to Plan B.</i> (133-156) <b>EXERCISE:</b> Analysis of Working Capital Models (Web CT) ▪ Costco vs. WalMart; Blockbuster vs. Netflix; Barnes & Noble vs. Amazon	<b>Written Assignment #5</b> (group exercise)
<b>Session 10</b> 3/28	<b>Resources &amp; Processes</b> 28. Mullins & Komisar. 2009. <i>Getting to Plan B.</i> (157-178) 29. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (108-119) 30. Chesbrough, H.W. <i>The Era of Open Innovation.</i> MIT Sloan Mgmt Review Spr 2003 (eJournal) <b>CASE: Scientific Problem Solving through Broadcast Search: Innocentive.com</b> HBS N9-608-142	Come to class prepared to discuss the readings and the case.
<b>Session 11</b> 4/4	<b>Creating New Business Models – Thinking Outside the Box</b> 31. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (123-191) 32. Brown. <i>Design Thinking.</i> HBR June 2008 (eJournal) 33. Prahalad and Mashelkar. <i>Innovation's Holy Grail.</i> HBR Jul-Aug 2010 (eJournal) <b>CASE: Innovation at Progressive (A): Pay-As-You-Go Insurance</b> HBS 9-602-175	<b>Written Assignment #6</b> (group case analysis)
<b>Session 12</b> 4/11	<b>Business Model Design</b> 34. Johnson, M. 2010. <i>Seizing the White Space</i> (109-134) 35. Mullins & Komisar. 2009. <i>Getting to Plan B.</i> (179-215) 36. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (198-211, 244-261) 37. McGrath & MacMillan. <i>Discovery-Driven Planning.</i> HBR July 1995 (eJournal) <b>CASE: Gome Electronics: Evolving the Business Model</b> HBS 9-308-026	Come to class prepared to discuss the readings and the case.
<b>Session 13</b> 4/18	<b>Aligning Strategy and Business Models</b> 38. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (212-239) <b>CASE: Inhale Therapeutics: Executing and Growing the Business Model</b> HBS 9-602-132	<b>Written Assignment #7</b> (individual case analysis)
<b>Session 14</b> 4/25	<b>Implementing New Business Models</b> 39. Johnson, M. 2010. <i>Seizing the White Space</i> (135-178) 40. Osterwalder & Pigneur. 2010. <i>Business Model Generation</i> (232-239) <b>CASE: Big Bazaar</b> HBS 9-606-099	<b>Written Assignment #8</b> (group exercise)
<b>Session 15</b> 5/2	<b>Final Exam</b> (take home) <b>CASE: Zara: Fast Fashion</b> HBS 9-703-497	<b>Written Assignment #9</b> (individual case analysis)

**PEER EVALUATION FORM**

**INSTRUCTIONS**

The peer evaluation process is intended to provide group members with an opportunity to contribute to the evaluation of the performance of your team members on group activities. On the form below, you may rate the performance and contributions of your team members (including yourself) in the preparation of the group assignments. Instructions follow:

1. Enter the names of your group members (alphabetically by last name). Include yourself.
2. Evaluate each assignment separately. Each team member will begin with 100 points on each assignment.
3. You may reallocate the total number of points among team members within a range of 80 to 120 points for each individual, based on their contributions to the group effort on that assignment.
4. The total number of points allocated on any single assignment must equal 100 times the number of members of the team. If you have four members on the team, the total for each column should be equal to 400.
5. I will calculate an overall assessment as a weighted average of the individual ratings, using the percentage weights indicated below.

Please sign your evaluation at the bottom of the page, place it in a sealed envelope, and turn it in with your final group assignment on [May 2<sup>nd</sup>](#).

**PEER EVALUATION**

Group Member (list alphabetically)	WA-1	WA-3	WA-4	WA-5	WA-6	WA-8
	1/31/11 12.5%	2/21/11 12.5%	3/7/11 25%	3/21/11 12.5%	4/4/11 25%	4/25/11 12.5%
<b>1</b>						
<b>2</b>						
<b>3</b>						
<b>4</b>						
<b>Total</b>						

**COMMENTS**

Group Member	Comments (please support and justify any assessment below 90% or above 110%) Continue on reverse if necessary.
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	

**Signature:** \_\_\_\_\_

**Print Name:** \_\_\_\_\_